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Window of Opportunity

1. Today's Trading Playbook

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The market sold off by midday yesterday in view of rising geopolitical tensions between Egypt and Sudan on one hand and Ethiopia on the other. We believe such sell-offs provide a window of opportunity for investors looking to accumulate on strong names. One of these names is **COMI** which is heralded as Egypt's market bellwether. It held its Q1 2021 conference call yesterday, of which our banking analyst **Shihab M. Helmy** gives a thumbnail sketch:

- The bank's CEO said that net interest income was mainly weakened by lower corridor rates, hence the decline in blended NIM level. But local-currency (LC) NIM in particular was eroded by maturing Treasury bonds that were acquired back in 2018. In addition, foreign-currency (FC) NIM was pressured down by weak FC lending.
- The bank preferred to invest heavier in overnight CBE deposits that have less yield than Treasuries but have a better tax shield. National Bank of Egypt (NBE) invested in COMI, mainly to capitalize its excess liquidity acquired in 2017 after issuing the high-yield 20% certificates of deposit (CDs).
- COMI will have a higher exposure to the tourism sector after the CBE extended support to the sector and Russian flights to Egypt resumed.
- The bank's net profit growth in Q2 is expected to be driven by growth in both NII and non-interest income.
- The bank may double its dividends next year, and will seek the CBE's approval to distribute special dividends.

POSITIVE

EFIC, MFPC: Q1 2021 results indicate strong performance, reflecting a recovery in commodity prices.

Now, on to the top news and analysis for the day.

2. TOP NEWS & ANALYSIS

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MACRO NEWS

Egypt is among the most vulnerable emerging markets (EMs) to higher refinancing costs, according to S&P rating due the sizable portion of foreign debt. Yet, the risk is uncertain given the expected rebound in the economy and the active plan to put debt on downward trajectory. ([S&P](#))

The Minister of Public Enterprise said a memorandum of understanding has been inked between El-Nasr Automotive Manufacturing Co. and the Chinese Dongfeng Motor Corporation to start manufacturing 100 electric cars in Egypt next year. ([Egypt Today](#))

The Central Bank of Egypt's (CBE) BoD will discuss in June whether or not to extend waiving commissions and fees on banking services to end of December as opposed to the previously-planned end of June. ([Al-Mal](#)) We believe that if the CBE does not extend the waiver, it will be positive for the whole banking sector which has seen a decline in its fees income since 2020.

The Ministry of Trade & Industry said the pharmaceutical industry will be included for the first time in the new program for export support which will be approved over the next few days. ([Mubasher](#)) We believe that both EIPICO [**PHAR**] and Rameda [**RMDA**] could benefit from such a new program.

CORPORATE NEWS

EFG Hermes Holding's [HRHO] CEO said in an interview that the acquisition of a 51% stake in aiBank aims to enhance cross-selling and create synergies more than having access to lower costs of funds. On another note, HRHO's **ValU** and **PayTabs**, HRHO's consumer finance and e-payments companies, signed an agreement with **Inertia Egypt** to provide to the latter's clients with installments facilities and payments solutions. ([Enterprise](#), [Amwal Al-Ghad](#))

Misr Fertilizers Production Co.'s [MFPC] preliminary Q1 2021 stand-alone net income increased by 29% y/y to EGP289mn. Meanwhile, revenues increased by 14% y/y to EGP637.6mn. ([Company disclosure](#))

Egyptian Financial & Industrial Co.'s [EFIC] Q1 2021 consolidated net income after minorities jumped to EGP39.9mn compared to EGP3.4mn in Q1 2020. The improved

performance is backed by 150% y/y increase in revenues to EGP471.8mn and lower net financing costs. ([Company disclosure](#))

PACHIN's [PACH] 9M 2020/21 consolidated net income after minorities jumped to EGP50.1mn from a net loss of EGP4.1mn a year before. The company's performance was bolstered by higher revenues of EGP639.3mn (+9% y/y), lower SG&A expenses, and higher other revenues. ([Company disclosure](#))

Nasr Co. for Civil Works' [NCCW] Q1 2021 preliminary indicators showed a net loss of EGP2.5mn vs. a net profit of EGP4.0mn in Q1 2020. Meanwhile, revenues decreased to EGP46.65mn (-18% y/y). The company reported zero new awards during Q1 2021 with a total backlog of EGP378.7mn. (Company disclosures: [1](#), [2](#))

GLOBAL NEWS

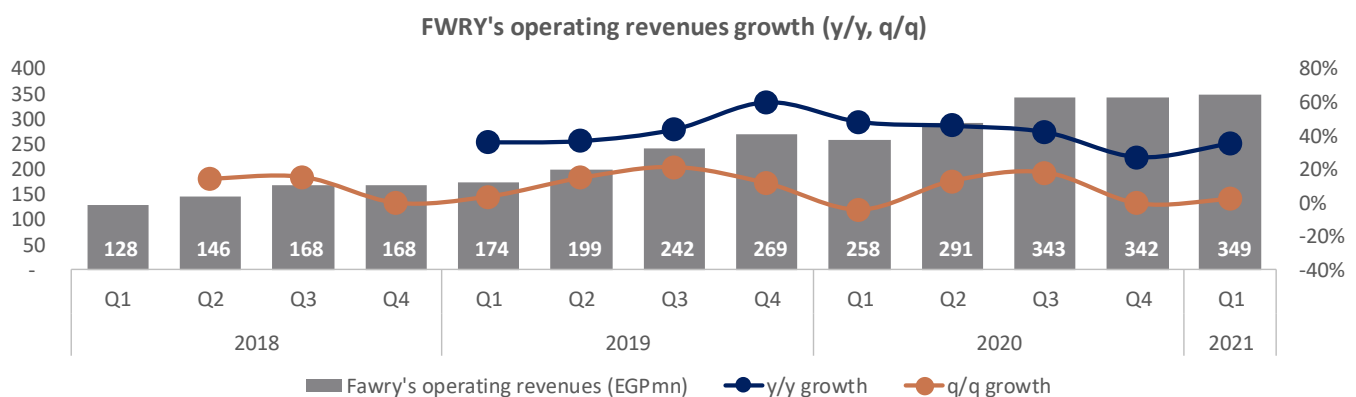
Oil prices rose for a third day on Tuesday, holding around one-week highs after jumping more than 3% the previous session as investors tempered previous expectations of an early return of oil exporter Iran to international crude markets. ([Reuters](#))

Saudi Arabia hopes to raise about USD55bn over the next four years as it plans to step up its privatization program with the government seeking to boost revenue and narrow its yawning budget deficit. ([FT](#))

3. CHART OF THE DAY

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Source: Company Reports.

Fawry [**FWRY**] saw its bottom line jump to EGP76mn (+146% y/y) after revenues rose to EGP349mn (+35% y/y), reaping the rewards of stepping towards financial inclusion and improved fintech tools. FWRY's q/q growth, which reached 2% in Q1 2021, remains within its

normal Q1 growth levels as it did for the past two years, given the seasonality factor. FWRY is currently trading at a TTM P/E of 166x.

4. MARKETS PERFORMANCE

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Current equity market cap (EGPbn)					Equity turnover (EGPmn): Last, ytd avg.				
670.0					1,756.0 1,178.6				
			daily chg.	ytd chg.			daily chg.	ytd chg.	
	↓	EGX 30	10,760.95	(0.47%)	(0.78%)		↓	Gold	1,881.02 (0.01%) (1.20%)
	↓	EGX 30 TR	4,160.34	(1.71%)	(0.28%)		↑	Silver	27.77 0.74% 4.25%
	↓	EGX 70 EWI	2,215.78	(1.89%)	3.29%		↑	Brent Oil	68.46 0.10% 32.30%
	↓	EGX 100 EWI	3,160.43	(1.68%)	2.02%		↓	WTI	66.05 (0.02%) 36.11%
	↑	DFMGI	2,787.68	0.03%	11.87%		↑	Natural Gas	2.89 0.31% 14.02%
	↑	ADSMI	6,614.56	1.05%	31.10%	EGP	↓	USD/EGP	15.66 (0.09%) (0.48%)
	↓	TASI	10,318.51	(0.25%)	18.75%	€	↑	EUR/USD	1.22 0.07% 0.07%
	↓	QE Index	10,516.20	(1.28%)	0.77%	£	↑	GBP/USD	1.42 0.13% 3.69%
	↑	S&P 500	4,197.05	0.99%	11.74%	¥	↑	USD/JPY	108.75 0.01% 5.34%
	↑	Dow 30	34,393.98	0.54%	12.37%		↓	6M TB yield	13.39 (1) 66
	↑	NASDAQ	13,661.17	1.41%	6.00%		↓	1Y TB yield	13.34 (1) 57
	↓	VIX	18.40	(8.68%)	(19.12%)		↓	10Y TB yield	14.83 (0) 44
	↑	STOXX 50	4,035.58	0.24%	13.59%		↓	2Y TB yield	0.15 (0) 2
EM	↓	MSCI Emerging	1,326.68	(0.25%)	2.74%		↓	10Y TB yield	1.60 (1) 67
FM	↑	MSCI Frontier	628.61	0.80%	9.97%		↓	30Y TB yield	2.30 (2) 64

* As of market close, except for commodities and currencies at 8.06am CLT. Change in Treasuries is in basis points.

Source: Bloomberg, CBE.

5. LATEST EGX VALUATION MULTIPLES

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[Find out](#) how your favorite stocks compare to the rest of the market.

6. KEY DATES

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DATE	TICKER	TYPE	EVENT
25-May-21	AREH	Stock Split	Effective date for a 10-for-1 stock split.
26-May-21	AJWA	EGM	Discussing the continuation of the company.
27-May-21	FAIT	EGM	Amending articles 2, 7, & 47 of the bylaws.
27-May-21	BINV	Cash dividend	Date for a payout of EGP1.25/share.
27-May-21	MICH	BoD meeting	Following up on 10M 2020/2021 financial position.
30-May-21	ISPH	BoD meeting	Discussing the financial results.
30-May-21	HRHO	EGM	Approving an employee incentive system and other agenda items.
2-Jun-21	ECAP	Cash dividend	Last date for eligibility for EGP1/share.
5-Jun-21	EGTS	Lawsuit	A court session discussing legal disputes relevant to the company.
6-Jun-21	OCDI	Cash dividend	Last date for eligibility for a dividend of EGP0.550/share.
7-Jun-21	ECAP	Cash dividend	Payment date for a dividend of EGP1/share.
8-Jun-21	CCAP	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.

9-Jun-21	OCDI	Cash dividend	Payment date for a dividend of EGP0.550/share.
10-Jun-21	RTVC	OGM	Approving the financial statements ending 31 Dec. 2020 and other agenda items.

7. LATEST RESEARCH

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DATE	PUBLISHED REPORT
23-May-21	<u>Orascom Construction [ORAS] – Earnings Short of Our Estimates</u>
23-May-21	<u>CI Capital Holding [CICH] – Earnings Dented by One-off ESOP Expense</u>
22-May-21	<u>Commercial International Bank [COMI] – Earnings Growth Driven by Lower Provisions</u>
20-May-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – Slowing Lending Inhibits Earnings Growth</u>
20-May-21	<u>EFG Hermes Holding [HRHO] – Recovery Signs; Back on Track</u>
18-May-21	<u>B Investments Holding [BINV] – Exits Kick Off, Unlocking Value</u>
18-May-21	<u>Elsewedy Electric [SWDY] – Financials promise a buoyant year ahead</u>
17-May-21	<u>Misr Chemical Industries [MICH] – Another Chapter of Strong Annual Growth</u>
11-May-21	<u>MACROView – Inflation Eased but Stage Still Set for a Pick-Up</u>
9-May-21	<u>MACROView – Stability Prevailed</u>
6-May-21	<u>MACROView – The Road to Recovery Gets Longer</u>
18-Apr-21	<u>MACROView – Challenges Remain Daunting</u>
13-Apr-21	<u>Crédit Agricole Egypt (CAE) [CIEB] – The Value Algorithm</u>
12-Apr-21	<u>Orascom Construction [ORAS] – Rich in Value</u>
11-Apr-21	<u>MACROView – Monthly Reading Pressured By Seasonality</u>
6-Apr-21	<u>MACROView – FX Assets Well Placed to Mitigate Potential Risks</u>
6-Apr-21	<u>MACROView – Still Downbeat</u>
28-Mar-21	<u>Taaleem Management Services [TALM] – Enriching the Education Sector</u>
18-Mar-21	<u>EFG Hermes Holding [HRHO] – Challenging Year, Yet Growth Continues</u>
10-Mar-21	<u>MACROView – Still Below the Target, but Global Headwinds Cloud the Horizon</u>
8-Mar-21	<u>MACROView – Buffers Grew Despite Signs of Unwelcome Tightening of Financial Conditions</u>
7-Mar-21	<u>Al-Shams Housing & Development [ELSH] – Making Hay While the Sun Shines</u>
3-Mar-21	<u>MACROView – Weak Demand Still Weighing on the Rebound Trajectory</u>
2-Mar-21	<u>MACROView – Commodity Supercycle: Real or Hype?</u>
1-Mar-21	<u>Commercial International Bank [COMI] – Earnings Beat Despite Higher Provisions</u>
25-Feb-21	<u>Elsewedy Electric [SWDY] – Strong Set of Results Driven by Turnkey</u>
22-Feb-21	<u>CI Capital Holding [CICH] – Got the Hit, Yet Better Than Expected</u>



10-Feb-21	<u>MACROView – Disinflation Continues Amid Acceleration in Global Commodity Prices</u>
8-Feb-21	<u>Misr Chemical Industries [MICH] – Annually Wild, Quarterly Tamed</u>
4-Feb-21	<u>MACROView – External Buffers Are Still Restoring Grounds</u>
3-Feb-21	<u>MACROView – A Fragile Improvement but Favorable Sentiment</u>
3-Feb-21	<u>MACROView – External Woes vs. Cautious Optimism</u>
1-Feb-21	<u>STANDPoint – Egypt 2021 Investing Playbook</u>
14-Jan-21	<u>CI Capital Holding [CICH] – New Expansions = Further Growth</u>
10-Jan-21	<u>MACROView – Below End-of-Year Target</u>
6-Jan-21	<u>MACROView – On the Path to Further Recovery</u>
5-Jan-21	<u>MACROView – Rutted Road to Recovery</u>
28-Dec-20	<u>Elsewedy Electric [SWDY] – More Growth to Come</u>
22-Dec-20	<u>EFG Hermes Holding [HRHO] – Blueprinting Its Eminence</u>
16-Dec-20	<u>CIB [COMI] – Earnings beat despite higher provisions</u>
10-Dec-20	<u>MACROView – The Highest Reading in Seven Months</u>
7-Dec-20	<u>MACROView – Restored Ground</u>
6-Dec-20	<u>MACROView – Lost Momentum</u>
3-Dec-20	<u>MACROView – Not as Severe as Expected but All Eyes on the Scars</u>
25-Nov-20	<u>Misr Chemical Industries [MICH] – Pandemic Proof</u>
10-Nov-20	<u>MACROView – An expected rise as the new school year began</u>
4-Nov-20	<u>MACROView – The Stars Seem to Be Aligned for International Reserves</u>
3-Nov-20	<u>MACROView – The Highest Reading in Six Years</u>
25-Oct-20	<u>CIB [COMI] – Short-term pain for longer-term gain</u>
11-Oct-20	<u>MACROView – Disinflationary trend interrupted</u>
11-Oct-20	<u>MACROView – External strains are slacking and reserves are growing</u>
6-Oct-20	<u>CIB [COMI] – A Good Bet for the “Risk On” Mode</u>
5-Oct-20	<u>MACROView – Egypt’s recovery is broadening</u>
10-Sep-20	<u>MACROView – A Stunning Chapter Towards Targets</u>
8-Sep-20	<u>MACROView – Crawling Out of the Troughs</u>
3-Sep-20	<u>MACROView – Job losses and the bumpy road to recovery</u>
18-Aug-20	<u>Oriental Weavers Carpet [ORWE] – Q2 2020 Results</u>
13-Aug-20	<u>Credit Agricole Egypt [CIEB] – Q2 2020 Results</u>
10-Aug-20	<u>MACROView – Muted inflation environment still dominates</u>
9-Aug-20	<u>MACROView – Recovery of FX revenues is a long-term goal, but the economy is still well armed</u>

5-Aug-20	<u>MACROView – Toward gradual recovery</u>
29-Jul-20	<u>MACROView – CAD gains eroded by financial account vulnerability</u>
14-Jul-20	<u>Commercial International Bank - [COMI] - Q2 2020 results</u>
9-Jul-20	<u>MACROView – Inflation driven by non-food baskets and unfavorable base effect</u>
8-Jul-20	<u>MACROView – Propped up by FX inflows, CBE amasses more reserves, turns NFA to net asset position</u>
7-Jul-20	<u>MACROView – Non-oil private sector keeps perking up in June, but demand stays depressed</u>
25-Jun-20	<u>EFG Hermes Holding [HRHO] – Behind the Optics of the Arab Investment Bank Potential Acquisition</u>
10-Jun-20	<u>MACROView – Lowest annual reading in five months, but monthly figures show no changes</u>
8-Jun-20	<u>Oriental Weavers Carpet [ORWE] – Operating margins improve despite COVID-19, thanks to lower PP and nylon prices</u>
8-Jun-20	<u>MACROView – Solid buffers and moderate depreciation: The CBE's recipe to deal with COVID-19</u>
3-Jun-20	<u>MACROView – Non-oil private sector took a breather in May, but outlook remains cloudy</u>

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